

COUNTY OF TRINITY  
SINGLE AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2009

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Supervisors and Grand Jury  
County of Trinity  
Weaverville, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Trinity, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 5, 2010 and revised March 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Trinity's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the

Board of Supervisors and Grand Jury  
County of Trinity  
Weaverville, California

deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2009-1, 2009-2, 2009-3, and 2009-4.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-1, 2009-2, and 2009-3, to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Trinity's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

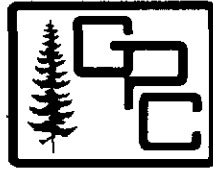
This report is intended solely for the information and use of the audit committee, management, Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

GREGOR PROFESSIONAL CORPORATION  
Certified Public Accountants

By: John Gregor, CPA  
John Gregor, President

Eugene, Oregon  
February 5, 2010  
Revised March 15, 2010

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Supervisors and Grand Jury  
County of Trinity  
Weaverville, California

Compliance

We have audited the compliance of the County of Trinity with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The County of Trinity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Trinity's management. Our responsibility is to express an opinion on the County of Trinity's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organization*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Trinity's compliance with those requirements.

In our opinion, the County of Trinity, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### Internal Control Over Compliance

The management of the County of Trinity is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Trinity's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-4 to be a significant deficiency.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Trinity, California, as of and for the year ended June 30, 2009, and have issued our report thereon dated February 5, 2010 and revised March 15, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Board of Supervisors and Grand Jury  
County of Trinity  
Weaverville, California

The Office of Emergency Services and Department of Corrections and Rehabilitation Supplementary Schedules, beginning on page 22 have not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

GREGOR PROFESSIONAL CORPORATION  
Certified Public Accountants

By John Gregor, CPA  
John Gregor, President

Eugene, Oregon  
February 5, 2010  
Revised March 15, 2010

# COUNTY OF TRINITY

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Social Services:			
Food Stamps	10.551	--	\$ 1,782,604
State Administrative Matching Grants for Food Stamp Program	10.561	--	185,374
Subtotal			<u>1,967,978</u>
Passed through State Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	--	<u>267,398</u>
Passed through State Controller's Office:			
Schools and Roads - Grants to States	10.665*	--	6,109,976
Schools and Roads - Grants to Counties	10.666*	--	<u>125,910</u>
Subtotal			<u>6,235,886</u>
Total U.S. Department of Agriculture			<u>\$ 8,471,262</u>
<u>U.S. Department of Commerce</u>			
Direct Program:			
Habitat Conservation	11.463	--	\$ 17,971
Total U.S. Department of Commerce			<u>\$ 17,971</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State Department of Housing and Community Development:			
Community Development Block Grant	14.228*	06-STBG-2502	35,000
Community Development Block Grant	14.228*	07-PTAE-3139	11,705
Community Development Block Grant	14.228*	07-PTAG-3682	32,845
Community Development Block Grant	14.228*	05-STBG-1524	82,203
Community Development Block Grant	14.228*	06-STBG-2605	155,363
Community Development Block Grant	14.228*	06-EDBG-2717	<u>227,012</u>
Subtotal			<u>544,128</u>
HOME Investment Partnerships Program	14.239*	06-HOME-2472	163,113
HOME Investment Partnerships Program	14.239*	07-HOME-3076	<u>347,034</u>
Subtotal			<u>510,147</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 1,054,275</u>
<u>U.S. Department of the Interior</u>			
Direct Programs:			
Fish and Wildlife Coordination Act	15.517	--	33,545
Partners for Fish & Wildlife	15.631	--	<u>261</u>
Total U.S. Department of the Interior			<u>\$ 33,806</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Cannabis Eradication Program	16.000	2009-53	10,736
Cannabis Eradication Program	16.000	2008-51	<u>74,962</u>
Subtotal			<u>85,698</u>
Passed through State Office of Emergency Services:			
Victim Witness Assistance	16.575	--	32,271
Anti Drug Abuse Task Force	16.738	--	116,982
Violence Against Women Vertical Prosecution Program	16.588	--	<u>90,000</u>
Subtotal			<u>239,253</u>
Total U.S. Department of Justice			<u>\$ 324,951</u>

**COUNTY OF TRINITY**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Transportation</u>			
Direct Programs:			
Airport Improvement Program	20.106*		6,043
Airport Improvement Program	20.106*	3-06-0273-07	43,256
Airport Improvement Program	20.106*	3-06-0260-06	305,678
Airport Improvement Program	20.106*	3-06-0102-06	149,781
Subtotal			<u>504,758</u>
Highway Planning and Construction	20.205*	--	<u>284,141</u>
Passed through State Department of Transportation:			
Highway Bridge Replacement and Rehabilitation Program (HBRR)	20.205*	BRLO-5905 (071)	74,157
Highway Bridge Replacement and Rehabilitation Program (HBRR)	20.205*	BRLO-5905 (063)	111,533
Hazard Elimination Safety Program (HES/HSIP)	20.205*	STPLH-5905 (061)	3,997
Surface Transportation Program	20.205*	RPSTPL-5905 (036)	176,118
Surface Transportation Program	20.205*	RPSTPL-5905 (038)	334,539
Surface Transportation Program	20.205*	RPSTPL-5905 (072)	11,842
Highway Planning and Construction	20.205*	ER-1628-DR-CA	14,940
Subtotal			<u>727,126</u>
Passed through State Department of Transportation:			
Federal Transit Capital Investment Grants	20.500	Rural Blueprint	20,000
Federal Transit Capital Investment Grants	20.500	648172	55,322
Subtotal			<u>75,322</u>
Total U.S. Department of Transportation			<u>\$ 1,591,347</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Social Services:			
Family Preservation and Support Services	93.556	--	1,064
Temporary Assistance for Needy Family	93.558	--	1,769,066
Pandemic Flu	93.069	--	59,106
Child Welfare Services - State Grants	93.645	--	43,540
Foster Care - Title IV-E	93.658	--	1,385,404
Adoption Assistance Program	93.659	--	146,816
In-Home Supportive Services - PCSP	93.667	--	18,149
Independent Living	93.674	--	33,586
Health Resources & Services Admin (HRSA)	93.889	--	125,520
Subtotal			<u>3,582,251</u>
Passed through the State Department of Mental Health:			
Substance Abuse and Mental Health Services Administration (SAMHSA)	93.958	--	<u>87,263</u>
Passed through State Department of Alcohol and Drug Abuse Programs:			
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959*	--	<u>379,303</u>
Total U.S. Department of Health and Human Services			<u>\$ 4,048,817</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State Office of Homeland Security:			
Homeland Security Grant	97.073*	2007-0008	104,693
Homeland Security Grant	97.073*	2008-0006	75,711
Emergency Management Performance Grant	97.042	2006-8	4,811
Emergency Management Performance Grant	97.042	2008-9	80,948
Subtotal			<u>266,163</u>
Passed through State Office of Emergency Services:			
Federal Emergency Management Agency	97.036	--	<u>22,448</u>
Total U.S. Department of Homeland Security			<u>\$ 288,611</u>
Total Expenditures of Federal Awards			<u>\$ 15,831,040</u>



## COUNTY OF TRINITY

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

#### NOTE 1 – REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Trinity. The County of Trinity reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

#### NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented on generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### NOTE 3 – RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue funds.

#### NOTE 4 – SUB RECIPIENTS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County of Trinity provided federal awards to sub recipients as follows:

Federal CFDA	Program Title	Amount Provided to Subrecipients
14.239	HOME Investment Partnerships Program	<u>\$ 112,719</u>

# COUNTY OF TRINITY

## Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

### NOTE 1 – REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Trinity. The County of Trinity reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

### NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented on generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

### NOTE 3 – RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue funds.

### NOTE 4 – SUB RECIPIENTS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County of Trinity provided federal awards to sub recipients as follows:

Federal CFDA	Program Title	Amount Provided to Subrecipients
14.239	HOME Investment Partnerships Program	<u>\$ 112,719</u>

## COUNTY OF TRINITY

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

#### NOTE 5 – PROGRAM CLUSTERS

Federal programs, which must be audited together as a cluster, include the following:

Federal CFDA	Program Title	Federal Expenditures
Food Stamp Cluster:		
10.551	Food Stamps	\$ 1,782,604
10.561	State Administrative Matching Grants for Food Stamp Program	185,374
	TOTAL	<u>\$ 1,967,978</u>
Schools and Roads Cluster:		
10.665	Schools and Roads - Grants to States	\$ 6,109,976
10.666	Schools and Roads - Grants to Counties	125,910
	TOTAL	<u>\$ 6,235,886</u>

#### NOTE 6 – FEDERALLY-FUNDED LOANS RECEIVABLE

The following programs had federally-funded loans receivable from third parties outstanding at June 30, 2009:

Federal CFDA	Program Title	Federal Expenditures
14.228	Community Development Block Grant Program	\$ 1,787,441
14.239	HOME Investment Partnership Program	132,292
	Total	<u>\$ 1,919,733</u>

#### NOTE 7 – PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

# COUNTY OF TRINITY

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

### Section I - Summary of Auditor's Results

#### **Financial Statements:**

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified?   X   yes        no

Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   Yes        none reported

Noncompliance material to financial statements noted?        yes   X   no

#### **Federal Awards:**

Type of auditor's report issued on compliance for major programs: Unqualified

Internal control over major programs:

Material weakness(es) identified?   X   yes        no

Significant deficiency(ies) identified that are not considered to be material weaknesses?        yes   X   no

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?        yes   X   no

Identification of major programs:

#### CFDA Number

#### Name of Federal Program

10.665/10.666

Schools and Roads Cluster

14.228

Community Development Block Grants

14.239

HOME Partnership Investment Program

20.106

Airport Improvement Program

# COUNTY OF TRINITY

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

### Identification of major programs (continued):

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	Highway Planning and Construction
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.042	Emergency Management Performance Grant
97.073	Homeland Security Grant

Dollar threshold used to distinguish  
between type A and type B programs:

\$ 474,931

Auditee qualified as low-risk auditee?

       yes      X   no

# COUNTY OF TRINITY

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

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### Section II - Financial Statement Findings

#### **FINDING 2009 - 1**

#### **AGREEMENT OF FIXED ASSETS FOR GOVERNMENTAL ACTIVITIES WITH THE COUNTY'S DOCUMENTATION OF GENERAL FIXED ASSETS**

##### ***Condition:***

Currently, fixed asset balances of the County are tracked by at least two different departments using various software packages, including Excel spreadsheets, a fixed asset accounting module and reports from the Road Department's CAMS system. During the 2008-2009 fiscal year the general ledger accountant made substantial progress in centralizing the County's fixed assets in the IFAS accounting system. During the audit, we compared the balances of the listing of general fixed assets in "fund 155" with the assets recorded in the IFAS system and found the two records to be in substantial agreement. We found, however, that the beginning balances of the documented general fixed assets were \$21,642,857 less than the ending balances in the 2008 audit report. In addition, the solid waste fund beginning net fixed assets were adjusted \$(150,384) to agree with the County's documentation.

##### ***Effect, Cause and Criteria of Condition:***

Accounting for fixed assets has been a problem for the county for a number of years. The proposed solutions have included fixed asset studies and recommendations to centralize the accounting for fixed assets. For example, at least two departments use asset identification numbers that are different from the identification numbers used in the IFAS system and departments have been responsible for reporting their fixed asset acquisitions and disposals. For the year under audit, we decided that assets would be reported only if they were documented in the County's general ledger accounts (fund 155) and backed up by detailed listings including asset identification number, department identification number, description, purchase date and depreciable life when applicable. The effect of past reporting has been to report a larger amount for fixed assets than was supported by the County's records.

## COUNTY OF TRINITY

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

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#### Section II - Financial Statement Findings

##### **FINDING 2009 - 1 (continued)**

##### ***Recommendation:***

We recommend the following measures:

- 1) That departments use the County's IFAS identification numbers for their fixed assets. They may continue to use their unique identification numbers but should also use the County-wide IFAS numbers to facilitate reconciliation to County records.
- 2) At the end of each fiscal year the employee in charge of fixed assets should filter the general ledger trial balance for income code 400/object code 73 to determine the fixed asset purchases and income code 950/object code 68 to determine the fixed asset sales. These amounts should be compared with the detail in fund 155 to determine that all purchases and sales have been accounted for.
- 3) In connection with step 2) above, a listing of the individual fixed assets and depreciation amounts should be obtained from the system, realizing that the standard depreciation report does not print out fully depreciated assets, which should be reported if they are still in use. The totals of this individual listing should be agreed with the totals in fund 155.
- 4) Once the individual listing of assets in step 3) has been proofed, the assets can be sorted by department number and forwarded to the appropriate departmental personnel to compare with the department inventory of fixed assets. A special case is work-in-process. These amounts are reported in the county's expenditure ledgers and not identified except by the departments responsible for the work. Material amounts potentially can be omitted in the case of projects that will eventually be added to the Roads Department Roads and Bridges *Value Audit Trail* report if they are not identified by the department.

Further, we recommend the County centralize the capital asset accounting process by assigning a member of the Auditor-Controller's Office to oversee the entire process of maintaining the County's capital asset balances throughout the year rather than on an ad-hoc basis.

## COUNTY OF TRINITY

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

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#### Section II - Financial Statement Findings

##### **FINDING 2009 - 2**

#### **FINAL TRIAL BALANCE, BEGINNING FUND BALANCES AND MAINTENANCE OF THE GENERAL LEDGER BALANCE SHEET ACCOUNTS**

##### ***Condition:***

In the final trial balance beginning fund balances did not agree with the prior year's ending audited balances and Interfund transfers that did not balance. Adjusting journal entries totaling \$18,727,009 in debits and \$14,659,809 in credits were required to bring the beginning fund balances into agreement. For the most part these adjustments were corrections of the PERS debt service entries and the cash balancing entries.

In the solid waste fund, there were two accounts, a cash account of \$338,559 and a liability account of \$799,361 that should have been closed to the equity account because they represent neither cash nor liabilities and have been used in the past as reconciling items to arrive at beginning fund balance. The solid waste fund also required an adjustment of \$153,015 as an unspecified prior period expenditure to agree the beginning fund balance with the ending balance per the 2008 audit. In the general fund an unspecified prior period expenditure of \$311,974 was required to adjust the beginning fund balance. In the agency funds, Junction City Fire had \$30,000 identified as cash with fiscal agent that was an adjustment in the past that should have been closed to fund balance.

##### ***Effect, Cause and Criteria of Condition:***

The PERS debt service adjustments required reducing PERS retirement expenditures/expense and increasing transfers out for each budget unit that has retirement expenditures/expense. Corresponding entries are required to the debt service fund for transfers in, contributions from other agencies, and debt service to bring the trial balance into condition for financial reporting purposes. This adjustment required adjusting 101 line items in the trial balance.

The cash balancing entries required adjusting fund balance available, transfers in and transfers out to restore the trial balance to a condition for financial reporting. This required adjusting 87 lines of the trial balance.

The PERS debt services entries and the cash balancing entries stem from choices the County has made in maintaining its books but do not correspond to the generally accepted accounting principles basis required for financial statement purposes. The result is that a tedious process is required to correct for this procedure.



## COUNTY OF TRINITY

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

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#### Section II - Financial Statement Findings

##### **FINDING 2009 - 2 (continued)**

There were an additional 32 sets of entries, for the most part two lines that were required to adjust the beginning fund balances to the ending balances per the 2008 audited financial statements. Because the prior year audit adjustments were posted to either account 2690, prior year adjustments expenditures/expense or to 9297, prior year adjustments revenues, there were prior year amounts posted by the County mingled with the audit adjustments. This required additional analysis to arrive at the appropriate adjustments to beginning fund balances.

In the solid waste fund, the cash account in the amount of \$338,558 and the liability account of \$799,361 were apparently split out of the fund balance to provide a tracking mechanism for an equipment purchase. At some point in the past, the tracking process was abandoned but these accounts were not adjusted back into fund balance. By leaving these amounts in the general ledger accounts of the solid waste fund, the balance sheet presents a distorted picture of the assets and liabilities of the fund and creates additional work to adjust the accounts for financial statement purposes. The \$30,000 in the accounts of Junction City Fire, fund 225 appears to have been a transfer to the District's checking account that should have been merely a disbursement. This amount has been carried on the District's agency fund accounts since at least 1997.

There were two adjustments to beginning fund balance for unspecified prior year expenditures/expense. In the general fund there was \$311,974 that has tentatively been identified as an adjustment to accounts receivable between the release of the 2008 trial balance and the beginning of the 2008-2009 fiscal year. The other adjustment was an unspecified prior year expense adjustment of \$153,015 to the solid waste fund. The conclusion is that the trial balance used for the 2007-2008 audit was not the final trial balance for that year.

#### ***Recommendation:***

We recommend a twofold approach:

- 1) The cash and liability accounts in the solid waste fund should be adjusted back into fund balance as should the cash with fiscal agent for the Junction City Fire District.
- 2) If the procedure does not change for entries to the general ledger entries for PERS debt service, cash balancing, and prior year audit entries, the County should save a copy of the final trial balance with the full range of account numbers and reserve three columns to make each type of adjustment; the PERS debt service correction adjustment, the cash balancing correction adjustment, and the adjustment of prior year adjustments to beginning fund balance.

## COUNTY OF TRINITY

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

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#### Section II - Financial Statement Findings

##### **FINDING 2009 - 2 (continued)**

The resulting beginning fund balances for each fund should be compared with the ending audited fund balances for each fund. This procedure will serve as a review and control over the balance sheet accounts and provide the independent auditor with a trial balance to use for the year under audit. The independent auditor and the County's former general ledger accountant developed a formula driven spreadsheet that, once updated for new accounts, will produce fund financial statements once the new trial balance is copied in to it. This spreadsheet can be made available to the County.

## COUNTY OF TRINITY

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

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#### Section II - Financial Statement Findings

#### **FINDING 2009 - 3**

#### **CONTROLS OVER FINANCIAL REPORTING**

##### ***Criteria:***

Statements on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit* (SAS - 12) provided guidance in that if an entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the County's internal controls, including controls over the preparation of the financial statements. At a minimum, the County should have an employee, elected official or contractor with the skills to prepare the financial statements even if the external auditor assembles the financial statements. That the County prepare its own financial statements is also a requirement of OMB Circular A-133 §\_\_\_\_.310

The County should have the capacity to prepare full disclosure financial statements in accordance with generally accepted accounting principles (GAAP). To carry out this responsibility, the County must have proper internal controls over financial reporting in place. Proper internal controls over financial reporting include, but are not limited to, internal controls that identify misstatements in the financial records, retaining staff competent in financial reporting and related oversight roles, and adequate design of internal control over the preparation of the financial statements.

Audit adjustments are considered to be a strong indicator that a material weakness exists even if management subsequently corrects the misstatement.

##### ***Condition:***

The County currently relies on the external auditors to ensure its financial statements are in accordance with generally accepted accounting principles (GAAP). The nature and magnitude of the audit adjustments has been discussed under findings 2009-1 and 2009-2.

##### ***Cause:***

Prior to the issuance of SAS 112, which categorically stated management's responsibility for the financial statements and removed any ambiguities in the guidance with respect to preparation of the financial statements, the commission relied on the external auditors to assist with the financial statements and related notes without being subject to control deficiencies.

##### ***Effect or Potential Effect:***

The risk of misstatement in the financial statements increases when management is not able to apply GAAP in recording the entity's financial transactions or preparing its financial statements, including the related notes. Also, by relying on the external auditors to ensure its financial statements are in

## COUNTY OF TRINITY

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

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#### Section II - Financial Statement Findings

##### **FINDING 2009 - 3 (continued)**

accordance with GAAP, the County is considering the external auditors a part of its internal controls over the preparation of the financial statements.

##### ***Recommendation:***

The County may consider the following possible actions:

- Provide training opportunities for its staff that would enable it to become more familiar with the financial statements prepared using GAAP.
- Hire an external Certified Public Accountant or other experienced professional to prepare or confirm that the accounting records, financial statements and related disclosures are in accordance with GAAP.
- Record prior year audit adjustments so that beginning fund balance/net assets agrees to prior year issued financial statements.
- Redesign closing procedures so that beginning fund balances and transfers are not materially misstated.
- Take no action. The County may find that the costs outweigh the benefits to adhere to this standard. No action will result in a material weakness in the County's internal controls over the preparation of the financial statements.

It is our understanding that the County has undertaken to hire an external Certified Public Accountant to assist with the preparation of the financial statements for fiscal year end June 30, 2010. If the procedures described in findings 2009-1 and 2009-2 can be implemented to the point of having a trial balance and financial statements in which fund balances track with those of the prior year, and the County provides the same information for the note disclosures as it has in the past, and the external Certified Public Accountant is available for consultation and review, we will consider that the County has sufficient control over its financial reporting to satisfy the requirements of SAS 112 even though the independent accountant may assemble the final financial report.

## COUNTY OF TRINITY

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

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#### Section III - Federal Award Findings and Questioned Costs

#### **FINDING 2009 - 4**

#### **PREPARATION OF THE SCHEDULE OF FEDERAL EXPENDITURES**

##### ***Condition:***

The County does not present the independent auditor with a unified, reconciled schedule of federal expenditures. The office of Auditor-Controller prints reports for some, but not all, of the expenditures of the federal programs from the IFAS accounting system. Other reports are obtained from the appropriate departments and may or may not agree with the IFAS reports. Some departments report based on revenues received rather than on expenditures incurred because the federal revenues have an identifying account code while the expenditures do not.

##### ***Effect, Cause and Criteria of Condition:***

OMB Circular 133 Subpart C, §\_\_\_\_.300 defines the auditee's responsibility as:

(a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_\_\_.310.

The staff in the departments do not understand what information is necessary to be reported such as identifying the expenditures by program, grant and CFDA numbers, reconciling the amounts to the County's general ledger, and assembling the information in the appropriate format with supporting schedules. The effect is that the independent auditor must prepare the schedule on behalf of the client and have less time to audit the amounts, which is contrary to audit standards and OMB guidelines. Not having reconciled statements can lead to inaccurate reporting on the schedule of expenditures of federal awards.

## COUNTY OF TRINITY

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

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#### Section III - Federal Award Findings and Questioned Costs

##### **FINDING 2009 - 4 (continued)**

##### ***Recommendation:***

The County may consider the following possible actions:

- Provide training opportunities for its staff that would enable it to become more familiar with the OMB Circular A-133 requirements for preparing the schedule of expenditures of federal awards.
- Hire an external Certified Public Accountant or other experienced professional to prepare or confirm that the accounting records, financial statements and related disclosures are in accordance with the provisions of OMB Circular A-133.
- Timely prepare the Schedule of Expenditures of Federal Awards and the supporting material so that it is ready by the time the independent auditor conducts field work.

It is our understanding that the County has undertaken to hire an external Certified Public Accountant to assist with the preparation of the financial statements for fiscal year end June 30, 2010. If the external Certified Public Accountant can oversee the assembly of the Schedule of Expenditures of Federal Awards so that it is ready to be audited by the beginning of field work, we would consider that the requirements of this finding have been satisfied.

**COUNTY OF TRINITY**

**Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2009**

No audit findings were reported for the fiscal year ending June 30, 2008.

SUPPLEMENTARY STATEMENTS  
OF GRANT EXPENDITURES



**COUNTY OF TRINITY**

Schedule of the Office of Emergency Services  
and the Department of Corrections and Rehabilitation Programs  
For the Year Ended June 30, 2009

**Office of Emergency Services Grant**

The following represents costs claimed and accepted for Office of Emergency Services (OES) programs for the year ended June 30, 2009. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

Program	For the Year Ended June 30, 2008	For the Year Ended June 30, 2009	Cumulative As of June 30, 2009	Federal Share	State Share	County Share
<b>Violence Against Women</b>						
<b><u>VV08 04 0530</u></b>						
Personal services	\$ -	\$ 119,821	\$ 119,821	\$ 89,821	\$ -	\$ 30,000
Operating expenses	-	179	179	179	-	-
Equipment	-	-	-	-	-	-
<b>Totals</b>	<b>\$ -</b>	<b>\$ 120,000</b>	<b>\$ 120,000</b>	<b>\$ 90,000</b>	<b>\$ -</b>	<b>\$ 30,000</b>
<b>Trinity County Drug ADA Task Force</b>						
<b><u>DC08 19 0530</u></b>						
Personal services	\$ -	\$ 38,151	\$ 38,151	\$ 38,151	\$ -	\$ -
Operating expenses	-	78,831	78,831	78,831	-	-
Equipment	-	-	-	-	-	-
<b>Totals</b>	<b>\$ -</b>	<b>\$ 116,982</b>	<b>\$ 116,982</b>	<b>\$ 116,982</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Victim Witness Program</b>						
<b><u>VW08130530</u></b>						
Personal services	\$ -	\$ 60,564	\$ 60,564	\$ 25,817	\$ 34,747	\$ -
Operating expenses	-	8,600	8,600	-	8,600	-
Equipment	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 73,720</b>	<b>\$ 69,164</b>	<b>\$ 69,164</b>	<b>\$ 25,817</b>	<b>\$ 43,347</b>	<b>\$ -</b>